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Least Developed Countries

REPORT OF THE MEETING OF EXPERTS ON CRITERIA FOR IDENTIFYING THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

held at United Nations Headquarters, New York,
from 30 to 31 January 1991

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I. INTRODUCTION

1. The Second United Nations Conference on the Least Developed Countries (UNCLDC II), held in Paris from 3 - 14 September 1990, requested the Committee for Development Planning (CDP) to complete the review of criteria for identifying the least developed countries (LDCs) expeditiously. It also stated that the CDP might wish to avail itself of the experience of the secretariat of the United Nations Conference on Trade and Development (UNCTAD) in its review. Pursuant to this, and with a view to making UNCTAD's contribution to the work of the CDP in this regard, the Secretary-General of UNCTAD convened a Meeting of Experts on Criteria for Identification of the Least Developed among the Developing Countries (hereinafter referred to as the Meeting of Experts). The Meeting of Experts was held at United Nations Headquarters, New York, from 30 - 31 January 1991, and was chaired by Mr. Yves Berthelot, Deputy Secretary-General of UNCTAD.

II. REVIEW OF CRITERIA

A. Policy issues

2. The experts felt that the criteria for identifying the least developed among the developing countries should adequately reflect the concept and characteristics of the LDCs and be as clear and simple as possible. It was pointed out that the concept of LDCs had been based upon the recognition by the international community that certain countries, in addition to profound poverty, faced a number of particular structural constraints on their economic and social development. These constraints increased their vulnerability to shocks beyond their control, both exogenous and endogenous, and limited their ability to benefit fully from opportunities made available by the interplay of economic and social forces and from general measures adopted in favour of developing countries. Hence the need for special attention (already called for in Principle 15 of the Final Act of UNCTAD I) and special measures in favour of such countries.

3. UNCTAD III, IV and V adopted resolutions incorporating a number of measures on behalf of these countries. The United Nations Conference on the Least Developed Countries (UNCLDC) was convened, in 1981 and in 1990, to consider the special problems and needs of the LDCs, and each of these two Conferences adopted a ten-year special programme of action on behalf of these countries.

4. The main characteristics of the LDCs and the handicaps they face in their development were described, inter alia, by the CDP when it drew up the initial list of LDCs (in 1971), by the first United Nations Conference on the LDCs which adopted the SNPA (in 1981), and once again recently by the UNCTAD secretariat in a note submitted to Preparatory Committee for UNCLDC II (1990).

5. It was noted that the list - now comprising 42 countries - gave a focus for the political will needed to implement special measures to meet the needs of the LDCs. The experts pointed out that the more the criteria were acceptable to the international community, the more efficient this focus would be.

6. In this connection the experts noted that inclusion of a country in the list made it eligibile for a number of special measures designated in favour of these countries, although access to such benefits was not always automatic. The experts recognized that the Programme of Action for the LDCs for the 1990s, adopted by the UNCLDC II, was the main framework for concerted international action on behalf of these countries for the decade. It was a comprehensive statement of strategies and policies, and delineates the national and international actions which needed to be pursued to arrest and reverse the deterioration in the socio-economic situation in the LDCs and to revitalize their growth and development. Of particular importance as regards external support were the donors' commitments in respect of ODA to the LDCs: all donors joined in the consensus on the set of alternative aid targets mapped out in the Programme of Action. Implementation of these undertakings should contribute to significantly increasing the volume of aid to the LDCs during the 1990s. The Programme of Action also provided for comprehensive treatment of the external debt problem of the LDCs.

7. It was also recognized that LDCs had been benefitting from debt relief (by way of retroactive terms adjustment measures) under Trade and Development Board resolution 165 (S-IX), adopted in 1978, wherein LDCs were specified as a target group.

8. Moreover, UNDP had a special allocation formula (including an extra allocation of three supplementary points) for the basic Indicative Planning Figure (IPF) resources to each LDC, and the General Assembly had set up two special funds, the United Nations Capital Development Fund (UNCDF) and the Special Measures Fund (SMF) for the LDCs. The UNDP Governing Council at its last session decided to assign 55 per cent of the IPF resources to the LDCs in the course of the Fifth Cycle.

9. The Development Assistance Committee of OECD adopted the "Recommendation on terms and conditions of aid" in 1978, which set a special concessionality target for LDCs: almost all DAC countries had been complying with this target for LDCs. The least developed countries were shown as a separate category in OECD/DAC publications, including the annual Development Co-operation Report.

10. LDCs were also eligible for specific benefits on account of being in the LDC category, such as compensatory financing benefits from STABEX and STABEX-LDC-ALA schemes (EEC Council resolution No. 428/89), and preferential treatment under various GSP schemes.

11. Some experts felt it useful that a comparison be made among the list of countries being used by various organizations and of the benefits accruing therefrom. It was noted that almost all LDCs belonged to the group of "low-income" countries identified by the World Bank and IMF, and were eligible for IDA and SAF and ESAF financing. However, up to now the LDC category had not been recognized for operational and/or analytical purposes by the two Bretton Woods institutions. The Managing Director of IMF had recently stated that he would explore the possibility of including the category of LDCs for analytical and statistical purposes in IMF publications, particularly in the World Economic Outlook.

12. The experts noted that the Programme of Action for the LDCs for the 1990s was a result of a political process involving the donors and the LDCs. The LDCs, in accepting the Programme of Action, had already made a number of commitments in return for the provision of the specific measures and commitments of assistance in their favour agreed by the donors. The experts felt that the review of existing criteria should not result in further conditionalities for the LDCs. They stressed therefore that while the list was to be used for policy and operational purposes, it should be established on the basis of objective and neutral criteria reflecting structural features.

13. It was recognized that some countries might qualify for the category because of past failures in the management of their economies, but the Group generally felt that, if such failures had led to deep-seated structural problems that could now only be overcome with special efforts over a considerable period of years, then such countries should qualify for the list.

B. Technical issues

The choice of indicators

14. The Group observed that the indicators, to be meaningful and effective, should be clear and simple so that they could be quantified, interpreted and applied easily. The choice of these indicators and their application should be a reasonable and responsible extension of the past work of the CDP and UNCTAD in this field, and should be in keeping with the basic thrust of this category as it had evolved in the United Nations over the past quarter century. The Group was of the view that the indicators should be so selected as to result in a list of LDCs that would be manageable in terms of the external resources agreed for the LDCs.

15. Some experts felt that the indicators currently used by the CDP to identify the LDCs still held good in so far as they addressed the question of poverty and structural weaknesses. It was generally agreed that, in order to capture LDC's key characteristics, these indicators would need to be supplemented by other indicators. However, it should also be borne in mind that too many indicators, rather than helping to capture the complexity of the concept of least developed countries, might blur its meaning and lead to difficulties in interpretation and use. Most experts were, therefore, of the view that the number of selected indicators should be small.

16. There was broad agreement on the use of GDP per capita as a starting point for identification (with some suggestion of the need to consider nuancing these measures by taking into account (1) possible over or under valued exchange rates; (2) differences between GNP and GDP; (3) the impact of large enclaves of foreign residents on GDP; and (4) the impact of extreme remoteness, and of high aid inflows on the GDP of some small islands).

17. The Group emphasized that low level of income or poverty alone could not be the main indicator in identifying the LDCs. Poverty along with structural weaknesses or vulnerability, in the experts' view, would indicate particular handicaps these countries faced in their development. In this connection it was felt that in addition to per capita income, there should be indicators reflecting low agricultural productivity and weak agricultural support, low level of development of manufacturing sector, low literacy rate and acute shortage of skilled personnel, weak institutional and physical infrastructure of all kinds, very high proportion of population in the subsistence sectors and one or more major geographical or climatic handicaps.

18. On the other hand, the experts expressed the view that it would be difficult to find in each case an appropriate indicator, for which reliable data were readily available for most countries, and which discriminated sufficiently among countries. They pointed out that, apart from the need to have a balanced representation of the various characteristics of LDCs and to avoid duplication among indicators, major problems might arise in respect of the quality and comparability of data. Moreover, decisions would have to be taken for countries for which no data existed.

19. There were many suggestions from individual members of the Group that might be used, singly or in some combination, should the availability of comparable data permit. These included: literacy rate (and many other possible surrogates for educational attainment); low natural resource exploitation; nutrition standards; safe water; health services; housing; life expectancy; infant mortality; the UNDP's human development indicator; size of population; proportion of national budgets devoted to education and health; female literacy; degree of monetization of an economy (as against subsistence); percentage of population below the poverty level; nuanced measures of education taking into account drop-out rates, extent of course or grade repetitions and educational quality - the number of trained professionals or the number of graduates as percentage of population were proposed as indicators in this connection as a measure of institutional capacity and administrative capability; indicators of environmental degradation; extent of science and technology development (as a percent of GDP); energy imports as a percent of GDP; functional literacy rates; share of services (such as shipping and insurance) in the balance of trade accounts; human rights and good governance indicators (though many experts felt that those indicators were not suitable); food self-sufficiency; geographic handicaps (such as island or land-locked status); proneness to natural disasters; measures of the informal sector; share of ODA in total foreign exchange; and some measure of the per capita purchasing power of exports of goods and services (perhaps a 3-year weighted average) adjusted for country size (in order to determine relative import capacity of a country).

20. Individual members of the Group also expressed reservation as to the adequacy of many particular standard indicators. Some experts suggested undertaking statistical work to check auto-correlation among indicators and select those indicators which were best determinants of development.

21. The representative of DIESA presented the draft study prepared for the CDP working party (to be convened in February 1991). The Group found it a very useful study and some members felt that it might largely meet the objectives of the Group; other members, as indicated above, made numerous suggestions for further study, either as alternatives to this approach, or as alternative indicators that might be injected into this DIESA approach.

III. PROCEDURES FOR APPLICATION OF CRITERIA

Frequency of review and mechanisms for graduation

22. As indicated earlier, UNCLDC II and the CDP have envisaged that a dynamic element could be introduced into the application of criteria. The experts felt that the list of LDCs would need to be regularly reviewed in order to be credible, taking into account not only the countries whose situation has worsened to the point that they would qualify for inclusion in the category of LDCs, but also those LDCs whose performance - it was to be hoped - had brought them to standards of living which would no longer justify special treatment and measures in their favour. The experts agreed that a country which no longer met the criteria for LDCs should be automatically graduated from this category and vice-versa.

23. They suggested that the review of the list could take place every five years, without prejudice to new candidates to be considered for inclusion in the meantime. Inputs to the review could be provided as part of the ongoing work related to the global monitoring of the Programme of Action.

24. Being aware that decisions on inclusion in the list and on graduation out of the list involved highly contentious political issues, the experts recommended that those decisions be taken by the General Assembly.

25. The experts stressed that to be effective, support measures for LDCs needed to be provided on a predictable and sustained basis. Thus, an LDC could be considered for graduation only after a minimum period in the list of LDCs and graduation should be based on information (indicators) relating to more than one year. As regards the minimum period in the list, some experts considered that a five-year period was insufficient due to the long-term structural deficiencies of the LDCs. In this context they called for a longer period, possibly ten years, so as to allow time for the structural transformations to take place as required in the development process. They also felt that when a country qualified for graduation, the country should be allowed, as much as feasible, to lose its entitlement to special measures and benefits in phases, not all at once.

IV. ORGANIZATIONAL MATTERS

A. Agenda

26. The Meeting of Experts considered, inter alia, the policy and technical issues relating to review of criteria, procedures for application of criteria, and mechanisms of graduation and frequency of the review of the list of LDCs. The agenda is reproduced in annex I.

B. Attendance

27. The list of participants at the Meeting of Experts is in annex II.

C. Documentation

28. The UNCTAD secretariat prepared for the Meeting a note entitled "Review of criteria for identifying the least developed among the developing countries" (UNCTAD/RDP/LDC/Misc.17). In addition, a number of other documents and written contributions were made available to the Meeting. The documents before the Meeting are listed in annex III.

D. Report

29. At its closing session on 31 January 1991, the Meeting of Experts adopted its report, authorizing the UNCTAD secretariat to complete it as appropriate and transmit it to the Committee for Development Planning through its Working Group meeting from 4 to 8 February 1991.

Annex I

AGENDA OF THE MEETING OF EXPERTS ON CRITERIA FOR IDENTIFYING THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

1. Adoption of the agenda.

2. Review of criteria:

   (a) Policy issues;

   (b) Technical issues;

   (c) Procedures for application of criteria.

3. Mechanisms of graduation and frequency of the review of the list of LDCs.

4. Other issues.

5. Adoption of the report.

Annex II

LIST OF PARTICIPANTS

1. Dr. E. Comiche, Governor, Banco de Moçambique, Maputo, Mozambique;

2. Mr. S. Fujimoto, Director, Economic Affairs Division, United Nations Bureau, Ministry of Foreign Affairs, Tokyo, Japan;

3. Mr. T.A. Gogue, Vice-Rector, University of Benin, Lomé, Togo;

4. Professor P. Guillaumont, Faculté des Sciences Economiques, Université de Clermont, Clermont-Ferrand, France;

5. Mr. R.F.A. Lucas, Counsellor, Permanent Mission of the Republic of Guyana to the United Nations, New York, United States;

6. Mr. V. Monaldi, Consultant, Ministry of Foreign Affairs, Rome, Italy;

7. Mr. H. Rahman, Executive Chairman, Board Investment, Dhaka, Bangladesh;

8. Mr. Raj Sharma, Secretary, Ministry of Commerce, Kathmandu, Nepal;

9. Professor G.V. Smirnov, Ulitza Marili Ulianovï, Moscow, USSR;

10. Mr. J.I. Stone, Economic Consultant, Maryland, United States;

11. Mr. K. Ruffing, Secretary of CDP, DIESA, New York, United States;

12. Mr. D. Oodit, DIESA, New York, United States;

13. Professor O. Teriba, Chief, Socio-Economic Research and Planning Division, Economic Commission for Africa (ECA), Addis Ababa, Ethiopia;

14. Mr. P. Sainz, Chief, Statistics Division, ECLAC, Chile;

15. Mr. J. Loup, Co-ordinator of Assistance to the LDCs, UNDP, New York, United States;

16. Ms. I. Kaul, UNDP, New York, United States;

17. Mr. T. Bener, Planning and Co-ordination Officer, LDC Unit, UNDP, New York, United States;

18. Mr. P. Matthews, Principal Policy Officer, Bureau for Programme Policy and Evaluation, UNDP, New York, United States;

19. Mr. R. Bhatia, Director of the Fund Office in the United Nations and Special Representative to the United Nations, IMF, Washington, United States;

20. Mr. J.G. Borpujari, Principal Economist, Socio-Economic Data Division, International Economics Department, World Bank, Washington, United States;

21. Mrs. G. Handwerger, Senior International Relations Officer, International Economic Relations, External Affairs Department, World Bank, Washington, United States;

22. Mr. Y. Berthelot, Deputy Secretary-General of UNCTAD (Chairman);

23. Mr. P. N. Pant, Chief, Special Programme for Least Developed, Land-locked and Island Developing Countries, UNCTAD;

24. Ms. G. Wegener, Chief, International Support Measures Section, Special Programme for Least Developed, Land-locked and Island Developing Countries, UNCTAD.

Annex III

LIST OF DOCUMENTS

UNCTAD, "Review of Criteria for Identifying the Least Developed among the Developing Countries" (UNCTAD/RDP/LDC/Misc.17) E & F only.

UNCTAD, The Least Developed Countries 1989 Report (TD/B/1248)

UNCTAD, The Least Developed Countries A statistical Profile (UNCLDC II/9) E only.

Second United Nations Conference on the Least Developed Countries, Paris Declaration and Programme of Action of the Second United Nations Conference on the Least Developed Countries (A/CONF.147/Misc.9)

DIESA, "Proposals for Formulating a New Set of Criteria for Designating Countries as Least Developed " (background note by the DIESA secretariat for the Working Group of the CDP on 5- 8 January 1991)

World Bank, Country Classification - Ranking by listing (# of Groups) (Table by the IECSE Division of the World Bank)

Prof. P. Guillaumont, "The Least Developed Countries, the Category's Rationale and Impact" (Africa Recovery, Working Paper, August 1990)

Prof. G. Smirnov, "Approach to criteria selection" (Note prepared by prof. G. Smirnov, Institute of African Studies, Academy of Science, USSR)